



Historic Preservation Tax Incentives Program

Technical Preservation Services
National Park Service

Functionally Related Buildings – Additional Guidance for Multiple-Building Projects

Introduction

Under the National Park Service (NPS) [regulations](#) (36 CFR 67.4(e) and 36 CFR 67.6(b)(4)-(5)), historic buildings that are determined to be “functionally related historically” are treated as a “single certified historic structure” for the purposes of certification when rehabilitated as part of an overall project. Certification of a completed rehabilitation for such a group of buildings is “issued on the merits of the overall project rather than for each structure or individual component.”

A determination of whether a project includes buildings functionally related historically is made by the NPS on a case-by-case basis, dependent on the specific facts and circumstances of the rehabilitation project. NPS [guidance on functionally related structures](#) identifies the criteria to be used to make such determinations as well as a lengthy list of property types and examples—such as a mill complex, a campus of institutional buildings, a military base, a public housing complex, a farm, or a residence with a carriage house.

Buildings that are functionally related historically are treated as one project for the purposes of certification, consistent with these regulations. Buildings owned by different legal entities may still be considered part of one overall rehabilitation project dependent on their beneficial ownership and control, as well as other facts and circumstances. Buildings owned by an unrelated party would generally be treated as a separate project.

In the many years since the establishment of the tax incentives program, the NPS has reviewed thousands of rehabilitation projects involving buildings functionally related historically throughout the country. Treating these multiple-building complexes as one project for the purposes of certification not only ensures that the historic character of the property is retained and preserved as part of the project, but also allows for additional flexibility in the review of such projects—as certification is based on the “[cumulative effect](#)” of the overall project, rather than on each building individually.

“Cumulative effect” when applied to multiple-building projects provides added flexibility, including some demolition, in limited circumstances, as identified in 36 CFR 67.6(b)(5). In these cases, work to an individual building that does not meet the Secretary of the Interior’s Standards for Rehabilitation, and would otherwise cause that individual building rehabilitation to not be certified, may still be certified for historic tax credit purposes as part of an overall project that meets the Standards.

Adapting and rehabilitating complexes of historic buildings can be challenging. Treating such complexes as one project for the purposes of certification allows flexibility in preserving the historic character of the overall property while still allowing the changes necessary to convert the buildings to a new use and the entire project to qualify for the tax credits. Without this flexibility for multiple-building complexes, historic buildings would likely be demolished or insensitively altered, and the rehabilitations of individual buildings otherwise part of a larger overall project to rehabilitate the property could be denied certification. Such demolition and insensitive alterations could also trigger revocation of certification and/or jeopardize the continued National Register-eligibility of multiple-building properties in some cases.

When Buildings Functionally Related Historically May be Treated as Separate Projects

The rehabilitation of buildings that are functionally related historically and in common or related beneficial ownership is generally treated as one project for the purposes of certification, and these buildings are certified by the NPS as one project after the rehabilitation of the final building in the project is completed. However, there are some limited instances as described below when the rehabilitation of such buildings may be treated as separate projects for the purposes of certification.

A determination by the NPS that the rehabilitation of functionally related buildings may be treated as separate projects is generally made at the beginning of the overall project and is based on the facts and circumstances of the overall project relative to this guidance and the provided examples. This guidance also assumes that the entire property in common or related beneficial ownership will be rehabilitated as a certified rehabilitation project or projects and that the effect on the property's overall historic character would be no different whether rehabilitated as one or more separate projects.

When treated as separate projects, the certification of each project will be issued independently of one another, with each project required to meet the Standards on its own merits to be certified (i.e., not based on the cumulative effect of all the work proposed to the entire property). Any other work undertaken on the property during or within five years of completion of any individual rehabilitation project, even if such work is part of a separate rehabilitation project, would still need to be submitted for review by the NPS and could affect the certification of other prior, current, or planned projects. As with any rehabilitation project, a certification may be revoked within five years of completion of the project for work not undertaken as represented by the owner in the Part 3 application or for work undertaken after certification that is inconsistent with the Standards (36 CFR 67.6(e)). Additionally, a property that is determined to have lost the qualities for National Register listing may be de-listed, and a building that is determined to have lost the qualities to be designated a certified historic structure may be certified as non-contributing (36 CFR 67.6(f)).

Owners of buildings functionally related historically must include with their Part 1 applications a site plan showing all the buildings and ownership information for the entire historic property, whether or not in common or related beneficial ownership. For those buildings in common or related beneficial ownership, the applications must also include exterior and interior photographs of the buildings (whether or not work is proposed to the individual building), the timing of the work for each building (i.e., the estimated start and completion dates), and other such material identifying the facts and circumstances (e.g., the construction dates and historic uses of the individual buildings) as they may relate to this guidance and the specific examples below.

The NPS strongly encourages that projects for which this guidance may be applicable be discussed with the State Historic Preservation Office (SHPO) on a preliminary consultation basis prior to submitting a Part 1 application so that the SHPO can advise the owner and discuss the project with the NPS if necessary. The information identified in the preceding paragraph should be provided to the SHPO for a preliminary consultation.

If this guidance is applicable to the project, the owner must elect whether to submit the proposed rehabilitation as one or multiple projects at the start of the rehabilitation. This guidance cannot be applied retroactively. An owner cannot assume that the proposed rehabilitation of a multiple-building complex will be treated as separate projects for the purpose of certification based on this guidance. Such decisions will be based on the specific facts and circumstances of the individual project and are solely at the determination of the NPS in its review of the project's Part 1 and 2 applications.

The examples accompanying this guidance are meant to be read and applied in toto, as the applicability of one or more examples to the facts and circumstances of any individual project will vary. Some of the examples are dependent on meeting a planned minimum “gap” period between separate projects during which no rehabilitation work is occurring on the property. It is the owner’s responsibility to ensure that each project’s scope and timing are undertaken consistent with this guidance and the Part 1 and 2 applications as approved; otherwise, this guidance may not apply to the project, including whether a project continues to qualify as a separate project for the purposes of certification. Separate rehabilitation projects must meet the Standards on their own merits and cannot take into account the cumulative effect of prior or other work undertaken as separate certified projects. When unforeseen circumstances arise involving a project (such as unanticipated market or financing conditions illustrated in the examples below that has already received a Part 2 decision by the NPS), any request to change the scope of the project should be made in an amendment to the Part 2 application.

A “Gap” Between Projects

Functionally related buildings in common or related beneficial ownership rehabilitated as part of a larger overall project may be treated as separate projects for the purposes of certification when there is a substantial break in rehabilitation activity—i.e., a minimum period of one year during which no rehabilitation work is occurring on the property.

Example 1. Six buildings of a ten-building historic factory complex are proposed to be rehabilitated and two new buildings constructed on the property over a three-year period (Years 1 to 3). The rehabilitation of the remaining four buildings is planned to commence one year later (Year 5). No work will be occurring on the property in Year 4. The first group of six historic buildings, the new construction, and any other work proposed for the property in Years 1 to 3 may be submitted as one rehabilitation project, and a Part 3 certification issued after completion of the project. The rehabilitation of the other four buildings and any other work to then occur to the property in Years 5 and later would be submitted as a separate rehabilitation project, with new Part 1 and 2 applications and a new project number. The second project would receive a separate Part 3 certification, provided that there was a minimum period of one year between the completion of the first project and the start of the second during which no rehabilitation work occurred on the property. If the work that is part of the later project does not meet the Standards, it could impact the certification of the first project since the work is occurring within five years of completion of the first project.

Example 2. A mill complex of eight buildings being rehabilitated for housing received a Part 2 approval. Five buildings were completed before the project stalled because of a weak housing market, and work on the other three buildings had not begun. Eight months after the completion of the first five buildings, the owner requested a Part 3 certification for the project, indicating that work on the remaining three buildings was not scheduled to begin for another 6 months (thus, a 14-month break in any rehabilitation activity occurring on the property). The NPS could issue a Part 3 certification for the five buildings, and the remaining three buildings could be treated as a new, separate project (new Part 1 and 2 applications would need to be submitted and a new project number assigned). When the rehabilitation of the remaining three buildings is completed, a separate Part 3 certification could be issued. As separate projects, both projects would have to meet the Standards independent of the other to be certified (i.e., not based on the cumulative effect of the work to all eight buildings).

Example 3. Abatement work was completed on a project of five functionally-related historic buildings and included the removal of ceilings that were located only on the ground floor of each building and were character-defining features of what historically were finished spaces. The

rehabilitation of three of the buildings was completed in accordance with the Standards when the owner encountered financial problems and decided not to undertake the rehabilitation of the remaining two buildings. The owner submitted a Part 2 amendment to change the scope of the project along with a Part 3 certification request—but was informed by the NPS that historically compatible new ceilings would need to be re-installed in the two buildings where work was begun, but had not proceeded, before the NPS could certify the project. The owner would have to complete this remedial work in order for the project to be certified. If the ceilings had not been character-defining and the spaces unfinished historically, no additional work would have been required for Part 3 certification.

Large and Diverse Historic Properties

The separate guidance developed for [Very Large and Diverse Properties Listed in the National Register as Historic Districts](#) may also be applied to other large functionally-related complexes where certain structures, sites, and environments functioned in effect as separate properties; and for which structures, sites, and environments are considered to have been “functionally related historically” in a geographically distinct usage-related grouping.

While the number of buildings alone is not a sole determinant for this guidance to be applicable, such complexes would typically have a large number of buildings, and ones serving different and diverse uses (i.e., a large and diverse property), for this specific guidance to be applicable. To be treated as a separate project for the purposes of certification, the group of buildings must have functioned together historically as a geographically discrete, related grouping. For example, a mill would not typically be considered a large and diverse property by itself, while a mill complex with separate workers housing might be. Military bases and medical, university, corporate, and other institutional campuses are typically examples of these properties.

Individual projects that are part of a large and diverse historic property would generally be certified separately and independently from one another. Work that does not meet the Standards undertaken as part of one project would generally not impact the certification of another project. However, if the work does not meet the Standards to the extent that it impacts the qualities that caused the property to be nominated to the National Register or, for example, the setting and environment of the individual buildings of another project, it could impact the certification of other projects and/or the certification of their individual buildings as certified historic structures if the work occurs within five years of any approved project’s completion (pursuant to 36 CFR 67.6(f)).

Example 4. A large, 20-building, former auto-manufacturing complex listed on the National Register of Historic Places was historically owned by one company, yet operated as two separate car divisions, each with their own separate, geographically discrete production facilities. While the buildings on the site were functionally related (owned by one car manufacturer during the property’s period of significance), an owner may elect to submit a single application with one rehabilitation project covering all the buildings or two separate applications for each of the two separate production facilities. If separated into two projects, both projects would be treated as separate, independent projects for the purposes of certification, and work could overlap or occur on different construction schedules without impacting the timing of when either project could apply for certification.

Other Project Scenarios

The following are other examples of projects involving functionally related buildings that may be treated as separate projects for the purposes of certification based on the facts and circumstances described below, dependent upon the above guidance as well as the other factors identified herein.

- Functionally-related complex where at the beginning of the project the owner plans to own and rehabilitate only part of the complex, begins work, and later, after substantially completing or when nearing completion of the project, acquires one or more additional buildings in the complex that were not previously planned or anticipated to be part of the original project.

Example 5. An owner purchases five buildings in a historic institutional complex and begins a multi-year rehabilitation of the buildings as one rehabilitation project. Shortly after completing the rehabilitation of three of the buildings, and while work was finishing on the final two buildings, the owner acquires an additional building in the complex. Work on the newly-acquired sixth building will not begin until after the completion of the work on the last of the first five buildings. In this case, the NPS could decide to consider the newly-acquired sixth building to be a new project and not require a one-year break between projects. If work on this building was undertaken and did not meet the Standards, the new, separate project would be denied certification, and it could impact the certification of the original project since the work is occurring within five years of completion of the first project.

- Large functionally related complexes under common ownership and in continuous historic use (such as large factories, institutional campuses, and resort properties for which continued operation often depends on an ongoing, continual rehabilitation of the property). In such cases where the ongoing work involves the substantial rehabilitation of individual buildings or groups of buildings that are part of a large and diverse property, the NPS will take into account the specific facts and circumstances that relate to the needs of such a continuously operating property in whether to treat such work as separate projects for the purposes of certification. These factors include, but are not limited to, the scheduling of the rehabilitation work on individual buildings; the proximity, design, and function of the individual buildings; and the historic evolution of the property.

Example 6. A 300-acre historic resort includes a large hotel building, a nearby conference center, 45 guest cottages built at different times and in scattered groups throughout the property, two recreation buildings, a stable, and a building used as employee housing—all of which are considered historic. The conference center is planned for rehabilitation, to be followed within a year by the rehabilitation of the first two groups of guest cottages. Maintenance and repair work is ongoing across the property. As part of what essentially is an ongoing rehabilitation effort at the resort, each geographically discrete grouping of cottages could be considered a separate and independent project for the purposes of certification, unrelated to the conference center rehabilitation. Depending upon the specific circumstances, work to other individual buildings or groups of buildings could also be treated as separate projects.

- Functionally related complexes under common ownership where the rehabilitation involves multiple buildings and will extend well beyond a 60-month phased-project time period.

Example 7. The planned rehabilitation of a large factory complex is anticipated at the outset to take 9-10 years from start to finish of construction. Because plans call for the rehabilitation work to extend well beyond a 60-month phased-project time period, the rehabilitation of the

buildings could be broken into two projects—with the buildings to be completed in Years 1-5 comprising one project for the purposes of certification, and the work to the remaining buildings scheduled to begin and be completed in Years 6-10 comprising a separate project. In this instance (i.e., work extending well beyond 60 months), the two projects would not need to be separated by a one-year gap between projects when no rehabilitation work would be occurring on the property. A Part 3 certification could be issued for the work involving the first group of buildings at the completion of that work. If the work that is part of the later project does not meet the Standards, it could impact the certification of the first project since the work is occurring within five years of completion of the first project. Even if the owner decided not to undertake the rehabilitation of the second group of buildings as a tax credit project, any work to those buildings would still have to be submitted to NPS for review if it occurs within five years of completion of the first project and could, therefore, jeopardize the first project's certification).

- Large housing complexes consisting of many separate or semi-attached houses or buildings, multiple streets, and shared land area under common ownership.

Example 8. A historic garden apartment housing complex consists of 100 buildings built in two separate, contiguous groupings. Initial work involves the rehabilitation of one of the two groupings. Work on the second group of houses will not start until shortly after the first group of houses is completed. Each group of houses could be treated as a separate project, with separate Part 1 and 2 applications, for the purposes of certification. The NPS would issue separate Part 3 certifications at the completion of each project if both rehabilitations are undertaken consistent with the Standards.

- Functionally related complexes where all the buildings were originally planned to be rehabilitated, but later, because of financing or other reasons, work was never initiated for some of the buildings and future plans for the buildings are uncertain.

Example 9. A former brewery complex consists of eight 3-story production buildings, an office building, a small power plant, a four-truck garage building, and a one-story bottle warehouse for shipping. Seven of the eight production buildings have been rehabilitated, one was demolished for parking (pursuant to 36 CFR 67.6(b)(5)), and work on the office building and power plant has also been completed. Work was never begun on the garage and bottle warehouse building, and no work is now planned for them due to changed market conditions.

(A) The owner submits an amendment to the Part 2 application to change the scope of the project to reflect that work is no longer proposed for these two unrehabilitated buildings. Completed work to date on the other buildings has been undertaken as originally approved by the NPS. The NPS could issue a Part 3 certification for the project since the amended overall project as completed meets the Standards.

(B) The NPS issued a Part 3 certification for the project. Two years after completing the project, the owner proposes to rehabilitate the bottle warehouse and demolish the garage building. The four-truck garage building is a small, secondary building located at the back of the property with little historic or architectural significance. Since the new work is occurring more than a year after completion of the original project, it may be submitted as a separate, new project for the purposes of certification. In this instance, demolition of the garage could be undertaken consistent with 36 CFR 67.6(b)(5) and not jeopardize certification of the new project or the prior project (since the work would be undertaken within five years of completion of the original project).

- Functionally related complexes where the proposed rehabilitation cannot be treated as separate projects and still meet the Standards.

Example 10. An institutional campus consists of eight buildings proposed to be rehabilitated as two projects separated by a one-year period during which no rehabilitation work is to occur on the property. The second of the two rehabilitation projects involves demolition and other work to four of the buildings and the site. After discussing the project with the NPS, the SHPO advised the applicant that the demolition and other proposed work would prevent the second project from meeting the Standards. If all eight buildings were rehabilitated as one overall project, however, the rehabilitation could meet the Standards on a cumulative effect basis and be certified. The SHPO advised the owner to submit the rehabilitation as one project for the purposes of certification.

December 2016

Rev. Preface to example 5 – March 2017